

Office of Governor Mitch Daniels



Weekly Wrap-up

A look at news and events in the Daniels Administration

Mitch Daniels

Indiana's first biodiesel production plant opens

(July 19) The state's first biodiesel production plant began pumping renewable fuel during a grand opening celebration in Hammond.

[Read the news release](#)

Governor's Update

Volume 1, Issue 3

July 16-22, 2006



Governor Daniels puts the first gallon of Indiana-produced biodiesel into RVL.

Daniels adds Mother Theodore Guérin to portrait collection

(July 21) A portrait of Mother Theodore Guérin, who will become the first person from Indiana to be canonized as a saint in the Roman Catholic Church, was unveiled in the Governor's Office.

[Read the news release and a biography of Mother Guérin](#)



Visit the governor's Web site to watch video of the Mother Guérin announcement, followed by last week's media availability. Click [here](#).

To listen to audio of the announcement and media availability, click [here](#).

Representatives from Indiana hardwoods deliver podium to governor

(July 19) [Read the news release](#)

[View photos of the governor receiving the podium](#)

Governor names four members to State Board of Education

(July 19) [Read the news release](#)

Daniels appoints Greene Circuit Court Judge

(July 17) [Read the news release](#)

See the next few pages to read a [Wall Street Journal](#) opinion editorial on Honda in Indiana, and an article from [The Bond Buyer](#) on Indiana's improving fiscal situation.

Wall Street Journal

COMMENTARY

Hoosier Honda

By DOUGLAS BRINKLEY

July 18, 2006

How things have changed. In the mid-1970s, anybody found driving a Japanese car in Michigan was in danger of ending up with a tire slashed or a door keyed. Today, mention one of the Big Three U.S. auto-makers -- GM, Ford or DaimlerChrysler -- at a blue-collar Midwestern honky-tonk and you'll hear groans. Everybody in the Midwest these days is begging Honda to come into their hometown. It is no longer viewed as a "Japanese" company, but a "pro-American-worker" corporation flush with jobs, jobs, jobs.

Earlier this summer, Honda announced its plans to open a \$550 million plant in Greensburg, Ind., a community of 10,260 that is 47 miles southeast of Indianapolis. While Detroit decays, Honda is creating a manufacturing and distribution hub along Interstate 74. The new Greensburg facility -- which will produce 200,000 cars a year and employ 2,000 workers -- isn't far from Honda's Ohio plants, which are currently manufacturing 680,000 vehicles a year combined.

Everywhere you travel in Ohio, in fact, you'll find automobile supplier outlets catering to Honda's needs. Since 2000, Indiana has lost 98,000 industrial jobs. Ohio has lost 149,885 over roughly the same period. Flashing a Ford Motor employee badge these days means unemployment is coming your way. A Honda badge, on the other hand, glitters blue skies ahead; you're an employee on the rise, part of a high-tech company undergoing a \$1.18 billion global expansion.

In order to lure Honda to Greensburg, Indiana state officials offered the company over \$140 million in incentives, including tax credits and interstate upgrades. Just last month the Detroit Free Press ran an op-ed piece bannered "Why Not a Honda Plant in Michigan?" fulminating that it "hurts" to see all those jobs going to Greensburg. "You can't say there's no future in the motor vehicle business," the Free Press rightly noted. "But it's going to look quite a bit different than in the recent past."

That's for sure. Metro Detroit really only had one thing going for it in the mid-'70s; their cars and trucks were manufactured in the Midwest. Members of the World War II generation bristled at the thought of buying a Japanese car. It was a matter of principle. They refused to forget Midway or Iwo Jima or the Bataan Death March. Imported Japanese cars, while fuel-efficient, were nevertheless deemed "foreign made," and slogans like "Buy American" became popular in Big Three country.

A writer from Forbes called the onslaught of Japanese cars being sold in the U.S. in the mid-'70s "an economic Pearl Harbor." Indeed, no matter how hard Ford or GM tried to turn profits in the '70s, Japanese cars were getting in the company's way. But there was a reason why the great American middle class, the children of parents who only drove all-American cars, especially Fords, were embracing Toyota, Nissan-Datsun, Honda, Mazda and Subaru. It was because of their sterling economical design, safety features and gas efficiency.

Hondas, for example, manufactured in Japan's Wako City and Suzuka City became popular no-frills cars in the American Midwest in the 1970s. They were manufactured from identical Japanese build-sheets, which simplified production and kept the sticker price down.

While Detroit was designing big cars, Honda went small. As then-Honda President Kiyoshi Kawashima astutely understood, not all American customers thought of a new car as a fashion item -- the middle class looked upon it as a tool of transportation, which was how the elder Henry had started marketing the Model Ts in 1908. Honda had co-opted Henry Ford's mass production modus operandi. Henry Ford II confessed to a reporter: "We may become a service nation one day because our manufacturers could not compete with foreigners."

Then the big moment came. With virtually no press coverage, Honda opened its first U.S. plant in 1979 in Marysville, Ohio. While jingoists constantly complained about Japanese imports, Honda simply started setting up factories all across America in small towns -- eventually employing over 100,000 workers. In recent years, while Ford has been closing assembly plants in Michigan, Honda opened two in the neighboring Ohio communities of Anna and Russells Point. While General Motors is currently in cutback-mode, Honda is handing out high-paying blue collar jobs aimed at producing 1.6 million vehicles a year in America.

Thanks to companies like Honda, auto making in America will be taking place in less unionized regions of the country than metro Detroit. Honda has been constructing its behemoth factories outside of big cities in largely rural communities like Greensburg where the United Auto Workers Union's political clout is weak, and land is plentiful. (The new Greensburg plant will be built on 1,700 acres of prairie.) As Detroit stumbles, the Honda Corridor in Ohio-Indiana is sailing forward into the future with Sousa bands welcoming them down every Main Street U.S.A. The days of "Remember Pearl Harbor" and Honda monkeywrenching are long over, part of a protectionist past.

Indiana once had a proud automobile history. You can learn about it in the Studebaker Museum in South Bend. Quite suddenly, it's on the rise again near the Ohio border, courtesy of a stunningly successful Tokyo-based company. The match makes perfect sense. Greensburg has everything going for it -- good schools, near-zero crime, clean air, excellent medical services. Hoosiers lucky enough to be employed by Honda will once again have a chance at the American Dream.

Turning farm fields into factories, that's what Henry Ford used to do. Today, in the heartland, it's being done by Honda -- a company that doesn't manufacture imports but builds American-made cars.

Mr. Brinkley, professor of history at Tulane, is the author of "Wheels for the World: Henry Ford, His Company and a Century of Progress" (Penguin Books, 2003).

The Bond Buyer

THE DAILY NEWSPAPER OF PUBLIC FINANCE

The Bond Buyer

Indiana, Ohio Strike Optimistic Tone as Year-End Results Improve
July 17, 2006

by Elizabeth Carvlin

CHICAGO — Indiana and Ohio this month reported fiscal 2006 year-end results that will allow each of the states to rebuild reserves that were spent down in recent years.

Indiana ended its 2006 fiscal year with a general fund balance and rainy-day fund reserve of \$410 million in total. The annual surplus was the first for the state since 1998, Gov. Mitch Daniels said last week when he released the numbers. The state started fiscal 2006 on July 1, 2005, projecting a budget deficit of \$131 million. Indiana is required to maintain 7% of the fiscal year general fund in balance at the end of each year.

"We've achieved a balanced budget for the first time in eight years, and for the first time in three years, the state has more cash than it owes," Daniels said in a statement. "The state is solvent, and we're not going back."

In December last year, the state lowered its revenue projections by about \$74.2 million for the fiscal 2006-07 biennial budget. The state approved the \$24.3 billion budget biennial budget last year.

In January, Standard & Poor's upgraded \$3 billion of Indiana's outstanding lease and moral obligation debt, boosting the state's underlying rating. The state does not issue general obligation debt. The rating agency upgraded \$2.4 billion of lease obligation debt to AA from AA-minus and \$664 million of debt that carries the state's moral obligation to A-plus from A.

That brought the rating in line with Moody's Investors Service, which rates the lease-backed debt Aa1 with a negative outlook, and Fitch Ratings, which rates it AA.

Standard & Poor's said the state's improved revenue and spending restraint warranted the upgrade. This year, ratings analysts said the state has continued to improve.

"This is the second piece of encouraging news for the state of Indiana," Fitch Ratings analyst Kyle Gephardt said of the year-end results. "The first was the announcement of the Honda plant."

The state announced that automaker would build a plant in Greensburg by 2008. The facility is expected to employ about 2,000 people. The new plant is positive economic news for the state with its heavy dependence on automobile manufacturing, including suppliers who have been feeling the effects of a slowdown in the industry.

The surplus will allow revenue to flow to municipalities to help them balance their budgets, Gephardt said. The state still owes \$622 million in delayed payments to higher education institutions, K-12 schools, and municipalities, and \$50 million to the Public Deposit Insurance Fund.

Ohio Gov. Bob Taft said last week that he would reduce taxes in the state following the release of its year-end results. Taft announced Thursday that Ohio would have an additional \$394 million to put away in its Budget Stabilization Fund, boosting the fund to \$1 billion, the highest it's been since 2001.

"We have faced some very challenging economic times in the past five years, and our commitment to responsible fiscal management has helped the state maintain its AA-plus bond rating and to now restore our rainy-day fund to more than \$1 billion," Taft said in a statement.

The state attributed positive year-end results to stronger-than-expected revenue for fiscal 2006 and lower spending by state agencies. Last week, Taft ordered the acceleration of a 21% cut in the state income tax withholding tax. The cuts that are being phased in through 2009 will be higher than planned this year, he said.

Ohio approved its \$51.2 billion, 2006-2007 biennial budget last year, increasing its cigarette tax and maintaining a portion of what had been a temporary sales tax increase to offset budget shortfalls.

Moody's changed its outlook for Ohio to stable from negative in 2004. Moody's, Fitch, and Standard & Poor's have the equivalent of AA-plus ratings for the state.